BRITISH COLUMBIA
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BCStats

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Exports ◆ January 2011

- There was a good start to 2011 for British Columbia origin exports, as they jumped 20.6% in January compared to the same month a year earlier. Shipments to the United States experienced modest growth of 2.9%, but there were substantial increases in the value of exports to many other destinations, including Mainland China (+78.5%), Japan (+23.5%), South Korea (+26.4%), Taiwan (+25.1%) and the European Union (+57.4%).

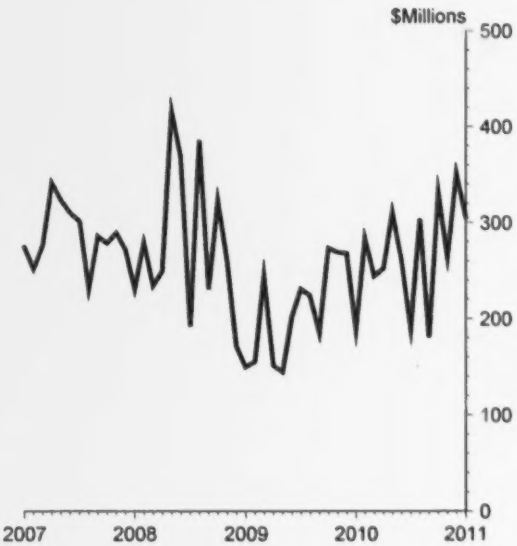
- Export growth was spread across most commodity groups. Shipments of metallic mineral products saw some of the strongest increases, climbing 61.6%. Exports of copper ores and concentrates more than tripled (+212.1%), mainly due to strong growth in shipments to Japan. Molybdenum ores and concentrates also saw robust growth in exports (+50.4%), while shipments of unwrought zinc experienced a more modest increase (+3.1%). On the other hand, exports of unwrought aluminum slumped 27.5% and shipments of all other metallic mineral products dipped 2.7%.

- There was strong export growth in BC's forest sector in January, including an 18.1% jump in shipments of solid wood products and a 23.7% rise in exports of pulp and paper products. Softwood lumber was the main driver of the growth in solid wood exports, with lumber shipments increasing 23.8% in January compared to the same month a year earlier. In the pulp and paper sector, pulp (+53.1%) was responsible for all the growth as paper exports slumped 25.0%.

- Energy product exports rose 10.1% in January, despite a 21.2% drop in shipments of natural gas and a 32.5% decline in exports of electricity. For natural gas, the decline was entirely due to lower prices as quantities shipped actually jumped 20.1%. Strong increases in exports of coal (+35.4%) and other energy products (+50.4%) drove the growth in overall energy exports. The rise in the value of coal shipments was entirely due to price as the volume of coal exported fell 5.1%. This may have been due to equipment problems at the Delta coal facility that disrupted shipments. The higher prices are the result of global supply problems mainly related to flooding in Australia.

- Agriculture and food exports jumped 56.2% in January, while shipments of seafood products edged up 1.6%.

Since the beginning of 2009, there has been a definite upward trend in exports of metallic mineral products



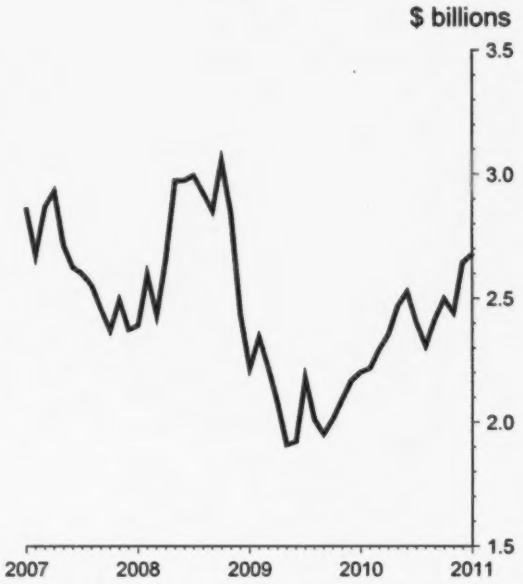
SEASONALLY ADJUSTED EXPORTS

Seasonal adjustment supplies a means of making month-to-month comparisons by removing the regular periodic seasonal fluctuations that occur. Variations from normal seasonal patterns are revealed in the seasonally adjusted data series.

- BC's exports edged up 1.2% in January as strong growth in shipments of industrial and consumer goods (+13.2%) offset declines in all other major commodity groups. Machinery, equipment and automobile exports slipped 5.9%, agriculture and fish dropped 4.8%, forest products fell 1.8% and energy dipped 1.7%.

- Exports to the United States grew 5.0% in January, while shipments to the rest of the world dropped 1.4%. Exports of industrial and consumer goods (+17.7%) and energy products (+15.5%) drove the US increase.

Exports (adjusted for seasonality) edged up again in January



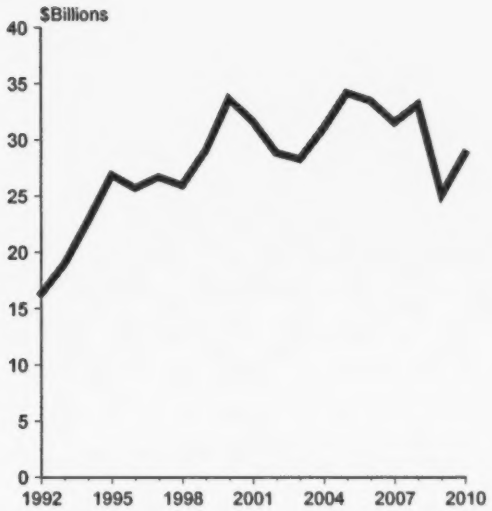
BC Exports, Seasonally Adjusted ($Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery& Equip, Auto	Industrial, Consumer	Total	Exports to USA
Jan 2009	212	602	635	304	465	2,219	1,225
Feb	209	742	622	288	481	2,343	1,216
Mar	200	617	598	272	533	2,220	1,100
Apr	194	575	605	268	437	2,078	1,053
May	196	489	557	273	395	1,909	1,051
Jun	193	486	554	255	433	1,922	989
Jul	206	620	586	271	494	2,177	1,047
Aug	176	515	593	252	473	2,009	1,010
Sep	163	496	589	227	477	1,952	1,008
Oct	181	487	582	248	515	2,013	1,038
Nov	177	515	602	251	548	2,093	1,086
Dec	177	591	606	252	542	2,169	1,090
Jan 2010	180	613	653	260	496	2,202	1,108
Feb	192	570	676	246	534	2,218	1,078
Mar	193	591	676	255	579	2,293	1,129
Apr	187	633	714	263	557	2,354	1,116
May	186	706	736	260	581	2,469	1,153
Jun	187	743	781	271	543	2,526	1,208
Jul	196	716	716	271	504	2,403	1,093
Aug	208	608	691	266	536	2,309	1,105
Sep	227	727	686	277	500	2,417	1,028
Oct	212	662	747	273	604	2,498	1,071
Nov	201	609	752	277	605	2,443	1,069
Dec	207	700	792	294	650	2,643	1,090
Jan 2011	197	688	778	276	736	2,676	1,145

Year in Review: A Change in Direction for BC's Exports

British Columbia's goods exports climbed 14.6% in 2010, recovering some of the ground lost in 2009 when the value of the province's exports slumped 24.2% as a result of the economic downturn.

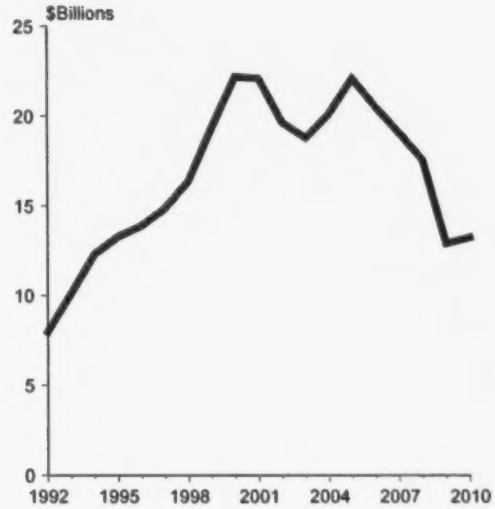
In 2010, BC's exports experienced a partial rebound from the sharp decline in 2009



Source: Statistics Canada

The turnaround in 2010 was achieved despite a rather lacklustre performance with respect to exports to the United States, BC's largest trading partner. Shipments of BC goods to the US edged up only 2.6% to $13.2 billion, which, excluding 2009 when exports were valued at $12.9 billion, was the lowest value of goods exported to the US since 1994. Before the modest uptick in 2010, BC's shipments of goods to the US had experienced declines for four consecutive years. In fact from 2005 to 2009, the value of BC's commodity shipments to the United States plunged 41.6%.

In 2010, BC's exports to the United States experienced very little recovery from the declines seen in the four previous years



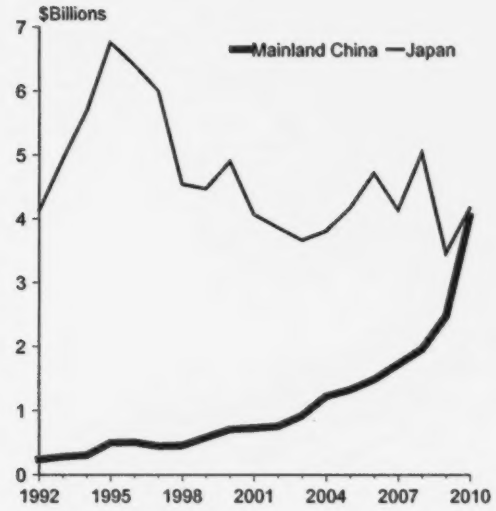
Source: Statistics Canada

The reason that BC's overall export picture has not been as bleak as that for shipments to the US market is that there has been some diversification with respect to the destination of BC origin exports. In fact, the United States has reduced its share of BC's exports from almost 70% in 2001 to just 46% in 2010. Most of that market share was taken up by countries of the Pacific Rim, particularly Mainland China. The share of BC's exports shipped to China increased seven-fold in the last decade, from just over 2% in 2001 to 14% in 2010.

China's emergence as an economic power and the growth of its manufacturing sector has made it a perfect fit as a customer for goods from BC's resource sectors. In 2010, Mainland China ranked third behind only the United States and Japan as a destination for BC goods

exports. However, if Hong Kong is included, China actually surpassed Japan to become the second largest destination for goods produced in BC.

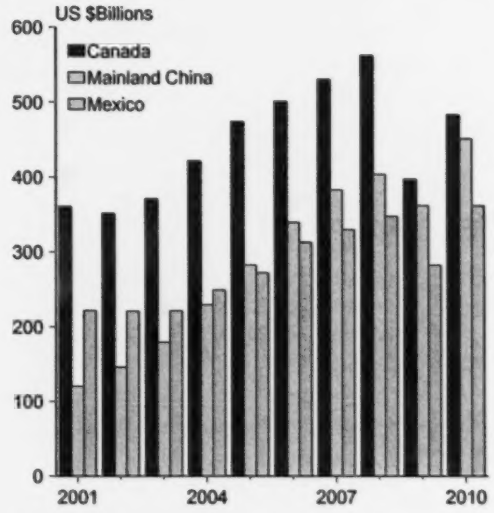
Mainland China has become as important a market for BC's exports as Japan



Source: Statistics Canada

China's phenomenal economic growth has had an impact on the economies of countries around the world, not just that of British Columbia. In the last few years, China surpassed Canada as the leading source for imported goods into the United States; however, Canada remains the top destination for American goods exports. In terms of two-way trade, Canada kept its position as the top trading partner for the United States in 2010, but Mainland China has gained significant ground in the last several years and now ranks a close second. The US has a substantial trade deficit with China, as around four-fifths of goods trade with China in 2010 was in the form of imports into the United States. The US also has a trade deficit with Canada, but to nowhere near the same degree.

Canada is still the United States' top trade partner in terms of two-way trade, but China is now a very close second



Source: US Bureau of the Census

China's influence on British Columbia's economy is undeniable, as the province's exports to Mainland China have seen double-digit growth in each of the last five years, including a substantial 63.0% jump in 2010.

The growth has largely been spread among a select few commodity groups - mainly resource-based goods intended as inputs into China's massive manufacturing sector. Pulp tops the list, with $1.3 billion worth of shipments from BC to Mainland China in 2010, an increase of 65.3% from a year earlier.

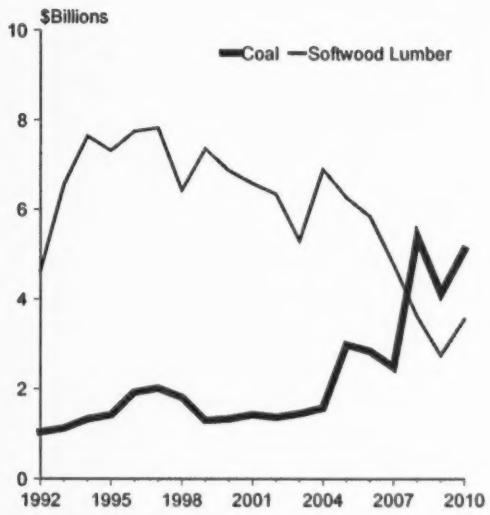
Coal has been another major commodity shipment to China. In 2010, $804 million worth of coal was exported from BC to Mainland China, up 43.5% from 2009. Another mineral product that has experienced strong export growth to China is copper ores and concentrates. BC exported almost $410 million worth of this com-

modity to Mainland China in 2010, a 37.5% jump from the previous year.

China has also provided a new market for BC's softwood lumber. BC shipped $668 million worth of lumber to China in 2010, more than double the value shipped a year earlier. The growing Chinese market helped push BC's overall softwood lumber exports up 29.4% in 2010.

Nevertheless, the partial recovery of the lumber sector was not enough to reclaim its position as BC's top good export. In the last three years, coal has ranked first in terms of goods exported from the province. In 2010, over $5.1 billion of coal was shipped from BC to destinations around the world, comprising almost 18%of the total value of commodity exports from the province.

Coal has overtaken softwood lumber as BC's largest export

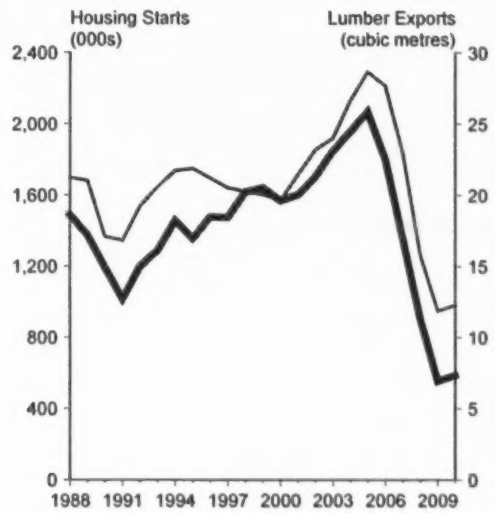


Source: Statistics Canada

While coal exports have experienced phenomenal growth in the last decade, BC's softwood lumber shipments have gone in the opposite direction, bottoming out at $2.7 billion in 2009, down from a peak of $7.8 billion in 1997. Aided by new markets in China and some recovery in shipments to the US and Japan, softwood lumber exports climbed to $3.6 billion in 2010. However, that was still the second lowest value recorded in almost 25 years.

The downfall of the lumber sector has been directly related to economic conditions in the United States and, in particular, to the US housing market. There has been a very close relationship between housing starts in the United States and volumes of lumber exported from BC to that country.

BC's softwood lumber exports to the US track closely with US housing starts

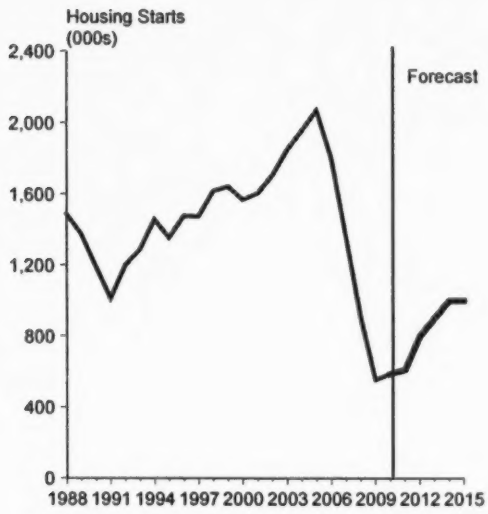


Source: Statistics Canada and US Bureau of the Census

The US has long been the primary market for lumber produced in BC, with value of lumber exports to the US peaking at $5.2 billion in 1999.

Japan was once a major market for BC's lumber as well, with exports of softwood lumber to that country peaking at just over $2.5 billion in 1995. However, the economic problems that hit Japan in the early to mid-1990s and continued for a decade reduced demand for all BC goods exports, including softwood lumber. Lumber shipments from BC to Japan have been trending downward since, slumping to a low of $532 million in 2009, before bouncing back slightly to $648 million in 2010. The strong growth in shipments to Mainland China pushed the value of BC's softwood lumber exports to that country up to $668 million in 2010, pushing China ahead of Japan to rank second as a destination for BC's lumber.

The outlook for housing starts in the US is to remain well below historical levels in the short term



Source: US Bureau of the Census and BC Ministry of Finance

While the emergence of China as a market for BC's lumber is a positive development, there are still many challenges for BC's lumber industry to overcome. The United States remains BC's largest market for lumber products and the outlook for the next few years remains somewhat bleak. According to the BC government's budget forecast released in February, the outlook for US housing starts is a slow ramp up over the next few years; however, they are expected to remain well below historical levels. Based on this forecast and given the symbiotic relationship between housing starts and softwood lumber exports, it seems unlikely that BC will see much of a rebound in the US market for at least a few years.

It is possible that China will continue to grow as a destination for BC lumber, which could offset some of the loss of market in the United States, but there are challenges there as well. Specifically, competition from countries such as Russia could cut into BC's share of the Chinese market. Russia has imposed a prohibitive tax on exports of raw logs in an effort to develop its own lumber manufacturing industry and given its closer proximity to China and the abundance of virgin forest in Russia, it may be difficult for BC producers to compete on price with Russian lumber manufacturers once they begin to produce a quality product in sufficient volumes. The main advantage for lumber producers in BC is that they are getting into the game early and may be able to develop relationships with customers in China that will last based on their reputations as reliable suppliers.

Elsewhere in the forest sector, BC's pulp exports experienced a strong rebound in 2010, climbing 43.0% from a more than 20 year low recorded in 2009. Other resource sectors also saw strong growth in exports in 2010, such as metallic mineral products, which posted a 26.7% increase in shipments. Once again, China played a significant role in the expansion of exports of these goods. The boost in demand from China and other Pacific Rim countries for BC's goods helped increase BC's exports despite the

challenge of a Canadian dollar at par with its American counterpart.

The high Canadian dollar has been particularly difficult for Canada's manufacturing sector and BC's manufacturers have not been an exception. There has been a definite shift towards resource-based goods and away from manufactured products in BC's export picture as a result of the high dollar. Nevertheless, BC's machinery and equipment exports managed to climb 5.1% in 2010, clawing back some of the ground lost in 2009. However, other manufactured goods, such as chemicals and chemical products (-6.9%) and plastics and articles of plastic (-2.3%) did not fare so well. In addition to manufactured goods, the high dollar will continue to be a challenge for exporters of services, such as the tourism sector and the film and television production industry.

The economic downturn played havoc with BC's exports, but BC's export picture turned the corner in 2010, making a start on the road to recovery. Mainland China continued to emerge as a major trading partner for BC and has helped further diversify BC's export markets. The influence of a strong Canadian dollar and a slow recovery in the United States has had an impact on American demand for goods from BC, as reflected in the fact that less than half the value of BC's exports was shipped to the US in 2010. If these trends continue, they could signal a significant change in direction for BC's exports.

Recent Feature Articles in Exports Release
Listed by Statistical Reference Date of Issue

11-01 *Year in Review: A Change in Direction for BC's Exports* *(released March 2011)*

10-12 *The Impact of E-Commerce on BC's Trade* *(released February 2011)*

10-11 *Canada and India Start Discussion on Free Trade* *(released January 2011)*

10-10 *BC's Export Picture Has Improved Over the Last Year* *(released December 2010)*

10-09 *The Buck Stops Where? Are We in a Global Currency War?* *(released November 2010)*

10-08 *China Could be a Huge Market for BC Forest Products* *(released October 2010)*

10-07 *What Could Japan's Economic Woes Mean for Trade with BC?* *(released September 2010)*

10-06 *Fifty Years of BC Exports: 1959 - 2009* *(released August 2010)*

10-05 *Canada Okays Controversial Trade Deal with Colombia* *(released July 2010)*

10-04 *Canada Has Shown No Rush to Trade with Russia* *(released June 2010)*

10-03 *Energy Fuels BC's Trade with Washington State* *(released May 2010)*

10-02 *Economic Downturn Kept the Lid on Container Traffic in 2009* *(released April 2010)*

10-01 *Stormy Weather: BC Exports in 2009's Economy* *(released March 2010)*

09-12 *Provincial Export Comparison* *(released February 2010)*

09-11 *BC's Exports to Oceania Watered Down in 2009* *(released January 2010)*

09-10 *High Dollar Spurs Capital Investment* *(released December 2009)*

09-09 *BC's Pulp and Paper Exporters Facing Challenges* *(released November 2009)*

09-08 *China Continues to Buy BC Goods* *(released October 2009)*

09-07 *Energy Exports are Powering Down...For Now* *(released September 2009)*

09-06 *Adding Some Heat to Trade with India* *(released August 2009)*

09-05 *Trade with the Other Americas* *(released July 2009)*

09-04 *The State of Canada's Trade with the USA* *(released June 2009)*

09-03 *British Columbia's Trade Balance Tipped in Favour of Imports* *(released May 2009)*

09-02 *Fifteen Years of Free Trade with Mexico* *(released April 2009)*

09-01 *Twenty Years of Free Trade with the United States* *(released March 2009)*

08-12 *Canada Seeks Trade Deal with the European Union* *(released February 2009)*

08-11 *Adversity Leads to Diversity* *(released January 2009)*

08-10 *Import Content of BC's Exports* *(released December 2008)*

NOTES

Countries Included Within World Regions:

(1) Western Europe: United Kingdom, Ireland, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland.

(2) Eastern Europe: other Europe, including all of Russia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, etc.

(3) South East Asia: Malaysia, Brunei Darussalam, Singapore, Myanmar, Kampuchea, Laos, Indonesia, Philippines, Thailand, Vietnam.

(4) Africa: continental Africa, excluding Ethiopia, Libya, Somalia, Sudan, Egypt.

(5) South America: continental South America from Colombia and Venezuela south to Chile and Argentina, including offshore islands, but not Caribbean.

(6) Central America and Caribbean: from Guatemala and Belize to Panama, plus Caribbean Islands.

(7) Pacific Rim (including Japan): Japan, Hong Kong, Malaysia, Brunei Darussalam, Singapore, Laos, Mongolia, China, Indonesia, North Korea, South Korea, Philippines, Macau, Taiwan, Thailand, Vietnam, Australia, Fiji, New Zealand.

(8) Pacific Rim: as above, but excluding Japan.

(9) Middle East: from Turkey and Iran south through the Arabian Peninsula. Excluding Afghanistan and Pakistan, but including Cyprus, Ethiopia, Egypt, Somalia, Sudan and Libya.

The **European Union** is the membership as of January 1, 2007: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

'Selected Value-added Wood Products' category includes prefabricated houses, doors, windows, furniture, moulding, siding, etc. It does not include panel products, shakes, shingles or any pulp and paper products.

Revisions

Statistics Canada revises trade data for the previous three data years with release of the December data. The revision number is indicated in the footer of the tables (e.g., Rev 1 is the first annual revision, etc., and Prelim indicates it is the first release of data to December for that year). In addition to annual revisions, Statistics Canada revises the data for the previous data year every quarter (indicated in the footer by Rev Q1, etc) as well as with the release of the January and February data.

Service Offered for Detailed Trade Statistics

For BC government statistics users requiring more detailed information on exports or imports, a special report service is offered through the address below:

Dan Schrier
BC Stats
P.O. Box 9410 Stn Prov Govt
Victoria, B.C. V8W 9V1
(250) 387-0376

This service is provided through the Trade Research and Inquiry Package (TRIP) computer reporting system. TRIP offers user-defined tabulations of export or import statistics for BC, Canada, the United States and other countries. Tabulations can include information on commodities, countries, US states, years, months, mode of transport, etc.